Growth strategies

How to boost productivity and take steps that will grow your business

INTERVIEWED BY MARK SCOTT

JON PARK
Chairman and CEO
Westfield Bank

(330) 887-6291
JonPark@westfieldgrp.com

Hard work that doesn't support your customers or generate revenue for your business is only going to get in the way of productivity, says Jon Park, chairman and CEO at Westfield Bank.

"The analogy I use would be running on a treadmill," Park says. "You're doing a whole lot of work, but you're not going anywhere. Some businesses can create work and complexity and tie up money and not get any positive return out of it. Don't spend time, effort and money on opportunities that aren't going to be profitable."

Certainly, there are some goals that are more difficult to achieve and it may take patience to see those projects through to completion. But you've got to have a sense for the investments that are worth making and those that are not going to help grow your business.

"If you're just going to break even, you shouldn't be doing it," Park says.

Smart Business spoke with Park about how to better position your company for growth.

Where is a good place to start when plotting the growth of your business?

You need to understand the scalability of your growth and its fixed and variable cost components. Everybody would like to project a straight line of revenue that consistently goes up. But that rarely happens in business.

It bounces up and down and you need some perspective on how you'll respond if revenue growth does not meet expectations. How can you adjust your expenses along the way? If growth is slower than anticipated, can you scale back expenses? If you're growing faster than you expected, can you scale up your resources?

Have a plan for either scenario. It's always better to be proactive and in a position to make informed decisions based on more thoughtful consideration of all the pertinent details.

How do you know if a risk is worth taking?

Risk assessment comes down to your ability to solve for the number of years it will take to recover your cash investment, also known as the earn-back period. The 'cash investment' represents cumulative cash spent less incremental new revenue generated for an expansion opportunity prior to the break-even point.

The earn-back period refers to the amount of time after reaching break-even to recoup the upfront cash investment. Aim for an earn-back period of four years or less. If you're adding a new product, hiring a new sales team or expanding geographically, you want to know how long it will take to get a return on that investment. If it takes longer than four years, the risk is higher and the return may not achieve targets.

Stress testing can be a useful tool to assessing the worthiness of a risk and addressing the volatility of expenses. So you want to buy a 50-unit apartment building when interest rates are 4 percent. At that rate, you make money. But what happens if the interest rate rises to 6 percent? Do you still make money?

Customer concentration is another problem that can restrict growth. If you rely on one segment or a few customers for the majority of your revenue, and these customers experience a downturn, it could deliver a big hit to your profitability. Take steps to diversify your customer base as much as you can to avoid this situation and ensure stable growth.

How do you prioritize growth opportunities?

Sit down with your management team and prioritize which opportunities are the most attractive. If you have 10 different ways to grow your business, discuss what makes each opportunity attractive and place them in order from most appealing to least appealing.

Appealing growth opportunities offer profitability, scalability of resources and don't have concentration risks. Focus on three or fewer growth opportunities at a time to boost your odds of success. When you try to do too many things at once, it spreads your team thin and results in sub-optimal implementation. ●